

MINUTES OF

TRINTEX PARTNERS' COMMITTEE MEETING

WHITE PLAINS, N.Y.

FEBRUARY 3, 1988

A meeting of the Partners' Committee of TRINTEX, a partnership organized under the laws of the State of New York, was held at 10:00 a.m. on February 3, 1988 at the offices of the Company located at 445 Hamilton Ave., White Plains, NY.

Committee Members

Present:

IBM	Mr. J. F. Akers Mr. A. J. Krowe Mr. R. T. Liebhaber
SEARS	Mr. E. A. Brennan Mr. W. E. Hedien Mr. C. F. Moran

Absent:

None

Others Present:

Mr. T. C. Papes
Mr. J. H. Beall
Mr. R. S. Glatzer
Mr. H. Heilbrunn
Mr. J. M. Hewitt
Mr. H. C. Perce
Mr. G. M. Perry
Mr. R. M. Shapiro
Mr. H. E. Smith
Ms. L. Burkhart (Part time)
Ms. C. Denicola (Part time)
Ms. C. A. Mangiameli (Part time)

Mr. R. T. Liebhaber presided as Chairman of the meeting, and Mr. G. M. Perry, Secretary of the Company, recorded the minutes. The minutes of the November 18, 1987 meeting of the Partners' Committee were unanimously approved as presented.

The Chairman noted that Mr. Krowe has joined the Partners' Committee representing IBM, replacing Mr. T. R. Lautenbach. The members of the Committee welcomed Mr. Krowe to the Committee, and expressed their unanimous appreciation for the valuable contributions made to the Committee by Mr. Lautenbach. The

Chairman then said that since the last meeting of this Committee the Executive Committee has held two meetings (December 9 and January 13). The Chairman also noted that the dates for the remaining 1988 Partners' Committee meetings are May 25, July 27 and November 30.

I. PRESIDENT'S REPORT

The Chairman first called upon Mr. Papes who summarized certain areas of progress since the last meeting. He said, among other things, that: (a) the PRODIGY service is now operating seven days a week from 6:00 a.m. to midnight; (b) over 1000 members have enrolled, from over 650 households, including 97 Hartford testers and 81 members of the Connecticut Computer Society; (c) system performance and reliability continues to improve; (d) 34 commercial clients are now live on the service; (e) key business alliances have been strengthened with Hayes, ComputerLand, NEC, IBM, and Sears; and (f) the Company closed 1987 about \$5 million under budget.

He said that although good progress has been made in many areas, it is recognized that before the service is ready for general distribution, a great deal more must be done in acquiring commercial clients, improving productivity, increasing shopping and transactional content, increasing editorial depth, and activating banking services. He said that the Executive Committee recently approved management's recommendation that commencement of the Charter Member programs be moved back one month (to May in Atlanta and Connecticut and June in San Francisco) to allow the time necessary to make some of these improvements and to get closer to the "live dates" for the EAASY Sabre, Kroger, and Pershing applications.

II. SERVICE READINESS REPORT

The Chairman then called upon Messrs. Heilbrunn and Beall who, using visual aids copies of which are attached as Exhibit A, presented the service readiness report. Mr. Heilbrunn began this report by reviewing the progress of the service over the period between October 1, 1987 and January 31, 1988. He said that:

(a) the number of members enrolled on the service has increased from a mere handful to over 1000; (b) the number of commercial clients live on the system increased from 7 to 34, with a total of about 250 unique products available for purchase on the service; (c) gateway applications were made operational for the MHT Excel Banking service, the Sears order entry and credit authorization systems, and the Dow Jones News/Retrieval stock quotes; (d) the number of viewable "objects" on the service doubled, and the daily editorial updates increased by 50%; and (e) service hours were extended by four hours. He then reviewed the planned improvements over the next 120 days (through May), including the addition of 26 more live client applications.

Mr. Heilbrunn then briefly reviewed the JUMPword Guide recently mailed to service members.

Mr. Beall then reviewed the Reception System Release Plan. He said that the next release (Version 6.0) is scheduled for late February. This release will contain some major improvements to applications, including an improved messaging capability, the market entry enrollment scenario, credit cards in profile, and Phase I of the Dow Jones application. This release will be limited to 512K IBM and compatible machines, and will contain several reception/delivery system improvements, most of which will have a positive effect on performance. The next

release (Version 6.1) is currently scheduled for late April. It will include the Tandy 1000 family and the IBM PS/2 models. The next release (Version 6.2), scheduled for late June, will include the surrogate for the 256K IBM and compatibles, and the Apple II family of machines. The final 1988 release (Version 7.0) will be scheduled in the fall of 1988 for the California expansion and will be operable on the Macintosh family of machines. Ms. Mangiameli then joined the meeting.

Messrs. Heilbrunn and Beall, with the aid of Ms. Mangiameli, then presented a live demonstration of the service on an IBM PS/2, Model 25. Following this demonstration, Ms. Mangiameli retired from the meeting.

III. HARTFORD EXPERIENCE REPORT

The Chairman then called upon Mr. Glatzer who, using visual aids copies of which are attached as Exhibit B, reported briefly on the experience gained to date from the Hartford tester program, which consists primarily of IBM employees in the Hartford area. He said that the early feedback from focus groups appears to validate the basic concepts of the PRODIGY service, but also indicates a need for more, deeper content, delivered faster. Areas in which improvements were suggested included:

(a) system performance (greater speed, and more print capabilities); (b) shopping (greater depth of products and vendors; improved fulfillment; greater depth of product information; and price or product advantage); (c) communications (improved enrollment; more newsletters; more information about what is on the service); (d) transactional content (high interest in grocery, banking, travel reservations and on-line brokerage); and (e) editorial (more news and editorial depth; more youth content; greater depth in expert tips and responses). He said that Membership Services continues to receive praise from the members.

Mr. Glatzer then reviewed the Company's revised (3rd Quarter, 1987) PC and modem penetration forecasts. He said that the revised forecast for "addressable" PCs is significantly higher than the previous forecast (4th quarter, 1986), due largely to the fact that the actual installed base for 1986 (4.5 million) is about one million higher than the previous forecast. He said that the rate of penetration for the forecast period remains about the same, but the higher base carries through to each year of the forecast. The revised forecast for modem penetration, compared with the 1986 forecast, also shows an increase in the base figure (from about 1.5 to 2.2 million addressable households with modems in 1987), resulting in a comparable carry-through in succeeding years.

IV. MARKET ENTRY PLAN

Mr. Glatzer, using visual aids copies of which are attached as Exhibit C, then reported on the market entry strategy. He said that the strategy separates market entry into three broad periods in which the nature of the offer and the product characterization will differ. In the initial period (March/April), "Founding Members" will be selectively recruited through special letters and presentations. The product will be positioned as the "future," and the message will be to participate in something "new." In the second period (May/August), "Charter Members" will be solicited from the ranks of enabled and addressable households, using direct mail, CATV direct advertising, and specialty marketing.

The positioning will be that of a "first edition," providing members with a smarter way to get things done. In the final period (September/October), introductory

offers would be made to the public in general, using broad marketing channels, positioning the product as a full (though constantly growing) service. He displayed a chart showing various stages of this strategy through 1988.

Mr. Glatzer then discussed the Founding Member program in greater detail, including the proposed Founding Member offer of a six month free trial of the service. The Hayes Personal Modem would be made available to those who need it for \$79.95. In response to a question, Mr. Glatzer said that at the end of the six month free trial, the member could continue either at \$9.95 per month or could renew under special six or twelve month prices.

Mr. Glatzer then showed the Committee a prototype of the PRODIGY Start-up Kit, with the Hayes Personal Modem included. He then reviewed the proposed retail distributors of the Start-up Kit in Hartford, Atlanta, San Francisco, and the balance of California, noting that companies with an aggregate of 384 store locations in these areas have committed (verbally or in writing) to carry the product, and discussions currently underway could increase that number to about 466. He said that Tandy Company has verbally committed to carry the product and promote the service, and discussions are underway on an "upgrade" program for the next Christmas season that would include the Start-up Kit. He said the contract with Hayes Microcomputer Products has been signed and delivery of the first order of Hayes Personal Modems is scheduled for February. Hayes has committed verbally to a 2400 bps version of the Personal Modem by October, 1988.

V. CLIENT REPORT

The Chairman then called upon Mr. Smith who, using visual aids copies of which are attached as Exhibit D, reported on client development. He said that twelve package contracts have been signed since the last meeting of this Committee, nine of which were signed in January. As of the end of January, there were a total of 77 signed package contracts, as well as two banking gateway contracts (MHT and IBM Pacific Credit Union), the Sears, Pershing, and EAASY Sabre gateway contracts, and two grocery shopping agreements (Grocery Express and Kroger). He reviewed the companies with whom package contracts have been signed, and described briefly the nature of the products offered by them. He said that the selling organization has been steadily improving, and the new sales support materials are proving to be effective. Promotional activities have increased, including speeches at major conferences, which has helped the marketing effort.

Mr. Smith then reviewed the status of home banking clients. He said that this remains the area of greatest difficulty, but some progress has been made. He reviewed the list of prospects, stating that the most hopeful at this time are Sovran Bank in Washington, DC; Toledo Trust (which would be a joint development project with IBM); Citizens and Southern in Atlanta; and Bank of New England (Connecticut Bank and Trust). He also reviewed the active prospects for additional package contract sales.

Following this report, Ms. Burkhart and Ms. Denicola joined the meeting.

VI. CONTENT DEMONSTRATION

The Chairman then called upon Mr. Heilbrunn who, with the assistance of Ms. Burkhart and Ms. Denicola presented a live demonstration of the PRODIGY service content, with emphasis on the newer applications including the Quick Quotes from

7
Dow Jones News/Retrieval. Following this demonstration, Ms. Burkhart and Ms. Denicola retired from the meeting.

VII. PUBLIC RELATIONS PLAN REPORT

The Chairman then called upon Mr. Shapiro who, using visual aids copies of which are attached as Exhibit E, presented a report on the public relations plan for the market entry period. He first described the many constituencies standing between the Company and its members, each of which must be dealt with in some manner through the public relations efforts. He described the transition that has been made to date from a fairly negative business press reaction to the current perception that the service "just might work." This change was created by working closely with selected business press organizations, providing demonstrations and interviews where appropriate. The next steps, through briefings to influentials, the marketing press and the consumer press, will be to establish the PRODIGY service as a successful product that these constituencies can endorse.

He then reviewed a chart showing the timetable for various public relations activities during 1988. He also described a work effort in progress for contacts at multiple levels between this Company's management team and their counterparts at Apple Computer. This effort is based on the belief that for the PRODIGY service to be fully successful, it is necessary to bring existing and future Apple products into the addressable category.

Following this report, there being no further business to come before the meeting, it was adjourned at 1:30 p.m. The next meeting of this Committee is set for May 25, 1988.

Respectfully Submitted,

R. T. Liebhaber
Chairman

G. M. Perry
Secretary